
Proprietary Funds

The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Major Enterprise Funds

The State Lottery accounts for all receipts and expenses from the operations of the State Lottery.

The Virginia College Savings Plan administers the Virginia Prepaid Education Program that locks in future college costs for minors from birth through the ninth grade. The fund accounts for the actuarially determined contributions and payments for approved expenses.

The Pocahontas Parkway accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government).

The Unemployment Compensation administers the temporary partial income replacement payments to unemployed covered workers.

Nonmajor Enterprise Funds include those operations of State agencies which are listed on page 185 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of State agencies which are listed on page 201 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2004

(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 7,694	\$ 98,804	\$ 5,046	\$ 298,571
Investments (Notes 1 and 4)	340,079	2,836	-	-
Receivables, Net (Notes 1 and 5)	57,944	58,270	771	101,881
Due from Other Funds (Note 7)	-	104	-	513
Inventory (Note 1)	3,595	-	-	-
Prepaid Items (Note 1)	1,738	-	19	-
Other Assets (Notes 1 and 8)	3	-	-	-
Total Current Assets	411,053	160,014	5,836	400,965
Noncurrent Assets:				
Investments (Notes 1 and 4)	340,549	703,607	35,305	-
Receivables, Net (Notes 1 and 5)	-	169,712	-	-
Prepaid Items (Note 1)	-	-	-	-
Other Assets (Notes 1 and 8)	-	-	5,426	-
Nondepreciable Capital Assets (Notes 1 and 10)	-	-	14,435	-
Depreciable Capital Assets, Net (Notes 1 and 10)	11,907	162	295,445	-
Total Noncurrent Assets	352,456	873,481	350,611	-
Total Assets	763,509	1,033,495	356,447	400,965
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 17)	11,220	901	1,066	-
Amounts Due to Other Governments	-	-	-	6,102
Due to Other Funds (Note 7)	540	25	-	120
Due to Fiduciary Funds (Note 7)	-	-	-	101
Interfund Payable (Note 7)	-	-	-	-
Deferred Revenue (Note 1)	4,173	-	-	-
Claims Payable (Notes 1 and 16)	-	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	282,433	2,836	-	-
Other Liabilities (Notes 1 and 18)	58,774	133	3,420	22,797
Long-Term Liabilities Due Within One Year (Notes 1, 15, and 19)	61,236	45,001	-	-
Total Current Liabilities	418,376	48,896	4,486	29,120
Noncurrent Liabilities:				
Interfund Payable (Note 7)	-	-	-	-
Claims Payable (Notes 1 and 16)	-	-	-	-
Other Liabilities (Notes 1 and 18)	-	-	19,651	-
Long-Term Liabilities Due in More Than One Year (Notes 1, 15, and 19)	347,442	1,113,092	447,372	-
Total Noncurrent Liabilities	347,442	1,113,092	467,023	-
Total Liabilities	765,818	1,161,988	471,509	29,120
Net Assets				
Invested in Capital Assets, Net of				
Related Debt	5,263	162	-	-
Restricted for Unemployment Compensation	-	-	-	371,658
Restricted for Retainage	-	-	1,034	-
Restricted for Debt Service	-	-	39,115	-
Restricted for Capital Acquisition	-	-	-	187
Unrestricted	(7,572)	(128,655)	(155,211)	-
Total Net Assets	\$ (2,309)	\$ (128,493)	\$ (115,062)	\$ 371,845

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included in business-type activities.

Net assets of business-type activities

The accompanying notes are an integral part of this financial statement.

		Governmental Activities	
Nonmajor	Total	Internal Service Funds	
\$ 69,938	\$ 480,053	\$ 173,466	
16,423	359,338	33,727	
25,226	244,092	17,309	
268	885	29,718	
38,600	42,195	14,657	
928	2,685	2,816	
240	243	1,038	
151,623	1,129,491	272,731	
13,195	1,092,656	-	
-	169,712	-	
-	-	840	
5,019	10,445	-	
1,977	16,412	150	
20,547	328,061	59,364	
40,738	1,617,286	60,354	
192,361	2,746,777	333,085	
24,595	37,782	27,365	
16	6,118	1,993	
10,303	10,988	173	
-	101	-	
25,930	25,930	732	
2,130	6,303	38,424	
25,927	25,927	154,556	
16,356	301,625	33,727	
1,313	86,437	6,163	
4,596	110,833	8,841	
111,166	612,044	271,974	
6,540	6,540	8,119	
-	-	150,655	
-	19,651	-	
16,468	1,924,374	19,278	
23,008	1,950,565	178,052	
134,174	2,562,609	450,026	
16,692	22,117	37,891	
-	371,658	-	
-	1,034	-	
-	39,115	-	
-	187	-	
41,495	(249,943)	(154,832)	
\$ 58,187	\$ 184,168	\$ (116,941)	

\$ 55
\$ 184,223

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Operating Revenues:				
Charges for Sales and Services	\$ 1,262,359	\$ 9,312	\$ 7,674	\$ 444,804
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	98,158	4,149	-
Other (Note 20)	-	1,136	-	-
Total Operating Revenues	1,262,359	108,606	11,823	444,804
Operating Expenses:				
Cost of Sales and Services	80,165	-	-	-
Prizes and Claims (Note 21)	707,179	-	-	484,875
Personal Services	19,874	2,345	-	-
Contractual Services	28,995	1,501	1,784	-
Supplies and Materials	1,975	51	-	-
Depreciation and Amortization (Note 22)	5,987	71	10,858	-
Rent, Insurance, and Other Related Charges	1,986	206	-	-
Interest Expense	-	-	23,984	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Distribution of On-Line Revenue	-	-	-	-
Other (Note 23)	-	208	-	-
Total Operating Expenses	846,161	4,382	36,626	484,875
Operating Income (Loss)	416,198	104,224	(24,803)	(40,071)
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	4,626	24	-	15,765
Other (Note 24)	21	(24)	-	-
Total Nonoperating Revenues (Expenses)	4,647	-	-	15,765
Income (Loss) Before Transfers	420,845	104,224	(24,803)	(24,306)
Transfers In (Note 25)	-	104	-	-
Transfers Out (Note 25)	(421,087)	(103)	(14,921)	(18,045)
Change in Net Assets	(242)	104,225	(39,724)	(42,351)
Total Net Assets (Deficit), July 1, as restated (Note 28)	(2,067)	(232,718)	(75,338)	414,196
Total Net Assets (Deficit), June 30 (Note 29)	\$ (2,309)	\$ (128,493)	\$ (115,062)	\$ 371,845

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
Change in Net Assets of business-type activities

The accompanying notes are an integral part of this financial statement.

		Governmental Activities
Nonmajor	Total	Internal Service Funds
\$ 672,324	\$ 2,396,473	\$ 928,458
-	102,307	-
23,480	24,616	392
695,804	2,523,396	928,850
261,451	341,616	52,964
128,540	1,320,594	694,629
78,718	100,937	46,783
37,108	69,388	112,542
17,862	19,888	7,582
3,762	20,678	16,295
15,832	18,024	24,776
55	24,039	95
35,378	35,378	-
29,581	29,581	-
2,745	2,953	4,638
611,032	1,983,076	960,304
84,772	540,320	(31,454)
1,207	21,622	1,980
(296)	(299)	(361)
911	21,323	1,619
85,683	561,643	(29,835)
412	516	1,153
(95,606)	(549,762)	(4,501)
(9,511)	12,397	(33,183)
67,698	171,771	(83,758)
\$ 58,187	\$ 184,168	\$ (116,941)

\$	130
\$	12,527

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Cash Flows from Operating Activities:				
Receipts for Sales and Services	\$ 1,240,297	\$ 135,568	\$ 7,674	\$ 388,884
Receipts from Investments	-	-	2,069	-
Internal Activity-Receipts from Other Funds	-	-	-	5,400
Internal Activity-Payments to Other Funds	-	(426)	-	-
Payments to Suppliers for Goods and Services	(79,402)	(263)	-	-
Payments for Prizes, Claims, and Loss Control (Note 31)	(759,788)	-	-	(489,904)
Payments for Tuition Benefits	-	(19,118)	-	-
Payments to Employees	(19,815)	(2,295)	-	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	(9,121)	-
Other Operating Revenue (Note 31)	-	-	-	-
Other Operating Expense (Note 31)	(17,554)	(1,237)	(258)	-
Net Cash Provided by (Used for) Operating Activities	363,738	112,229	364	(95,620)
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(420,836)	(103)	(14,921)	(18,045)
Other Noncapital Financing Receipt Activities (Note 31)	997	-	-	-
Other Noncapital Financing Disbursement Activities (Note 31)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(419,839)	(103)	(14,921)	(18,045)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(472)	(68)	-	-
Payment of Principal and Interest on Bonds and Notes	(3,178)	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 31)	-	-	(94)	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(3,650)	(68)	(94)	-
Cash Flows from Investing Activities:				
Purchase of Investments	(6,862)	(1,489,205)	-	-
Proceeds from Sales or Maturities of Investments	59,923	1,366,970	-	-
Investment Income on Cash, Cash Equivalents, and Investments	4,005	27,468	-	15,765
Net Cash Provided by (Used for) Investing Activities	57,066	(94,767)	-	15,765
Net Increase (Decrease) in Cash and Cash Equivalents	(2,685)	17,291	(14,651)	(97,900)
Cash and Cash Equivalents, July 1, as restated (Note 28)	10,382	81,513	19,697	396,471
Cash and Cash Equivalents, June 30	\$ 7,697	\$ 98,804	\$ 5,046	\$ 298,571
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 7,694	\$ 98,804	\$ 5,046	\$ 298,571
Cash and Travel Advances	3	-	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 7,697</u>	<u>\$ 98,804</u>	<u>\$ 5,046</u>	<u>\$ 298,571</u>

The accompanying notes are an integral part of this financial statement.

		Governmental Activities
Nonmajor	Total	Internal Service Funds
\$ 670,817	\$ 2,443,240	\$ 732,747
-	2,069	-
3,544	8,944	205,468
(30,184)	(30,610)	(8,470)
(302,889)	(382,554)	(74,686)
(125,856)	(1,375,548)	(656,727)
-	(19,118)	-
(77,280)	(99,390)	(46,853)
(35,545)	(35,545)	-
(5)	(9,126)	-
15,568	15,568	402
(38,570)	(57,619)	(119,272)
79,600	460,311	32,609
144	144	643
(215,531)	(669,436)	(4,501)
132,372	133,369	1
(80)	(80)	(982)
(83,095)	(536,003)	(4,839)
(3,421)	(3,961)	(8,838)
(1,611)	(4,789)	(6,463)
39	39	1,319
-	(94)	-
(4,993)	(8,805)	(13,982)
(5,294)	(1,501,361)	-
4,757	1,431,650	-
1,999	49,237	2,643
1,462	(20,474)	2,643
(7,026)	(104,971)	16,431
77,203	585,266	158,073
\$ 70,177	\$ 480,295	\$ 174,504
\$ 69,938	\$ 480,053	\$ 173,466
239	242	1,038
\$ 70,177	\$ 480,295	\$ 174,504

Continued on next page

Statement of Cash Flows – Proprietary Funds (Continued from previous page)

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	\$ 416,198	\$ 104,224	\$ (24,803)	\$ (40,071)
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	5,987	71	10,858	-
Accretion of Principle	-	-	14,532	-
Interest, Dividends, Rents, and Other Investment Income	(29,535)	(98,207)	-	-
Miscellaneous Nonoperating Income	-	-	(2,082)	-
Other Expenses	-	-	2,111	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(23,206)	125,795	1	(43,771)
(Increase) Decrease in Due From Other Funds	-	-	-	866
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	762	-	-	-
(Increase) Decrease in Prepaid Items	617	-	7	-
Increase (Decrease) in Accounts Payable	1,655	433	(260)	-
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	3,575
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	58	3	-	72
Increase (Decrease) in Deferred Revenue	1,145	-	-	-
Increase (Decrease) in Other Liabilities	13,487	(52)	-	(16,291)
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	225	524	-	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	(23,655)	(20,562)	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 363,738</u>	<u>\$ 112,229</u>	<u>\$ 364</u>	<u>\$ (95,620)</u>
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Increase in Inventory Reserve	\$ -	\$ -	\$ -	\$ -
Trade-ins of Used Equipment on New Equipment	-	-	-	-
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	70,738	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ 70,738</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

		Governmental Activities	
Nonmajor	Total	Internal Service Funds	
\$ 84,772	\$ 540,320	\$ (31,454)	
3,762	20,678	16,295	
-	14,532	-	
-	(127,742)	-	
(115)	(2,197)	4,345	
-	2,111	-	
(4,506)	54,313	(2,391)	
-	866	1,189	
(5,020)	(5,020)	-	
(6,117)	(5,355)	(892)	
(159)	465	677	
2,600	4,428	3,881	
-	3,575	1,150	
3,039	3,039	37,184	
(31)	102	(46)	
(41)	1,104	3,466	
210	(2,646)	(1,656)	
99	848	97	
1,107	(43,110)	764	
<u>\$ 79,600</u>	<u>\$ 460,311</u>	<u>\$ 32,609</u>	
\$ -	\$ -	\$ 150	
-	-	(12)	
910	910	2,968	
(836)	69,902	-	
-	-	(15)	
<u>\$ 74</u>	<u>\$ 70,812</u>	<u>\$ 3,091</u>	

